

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

MAY 12 1983

Gentlemen:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

You were incorporated as a non-profit corporation in the State of [REDACTED] on [REDACTED]. According to your Articles of Incorporation, your purposes are: to provide training, exchange information and experience among minority operators of [REDACTED]'s restaurants in the [REDACTED]; to provide information and educational programs to improve community relations; and to serve as a representative of minority operators in advising [REDACTED] of the special needs and problems of members.

Membership is limited to persons controlling one or more [REDACTED] restaurants in the [REDACTED] market area and such persons must also be of minority races.

Your activities include the exchange of business information and experiences among your members, providing input to [REDACTED] [REDACTED] in regard to problems your member minority operators may have, and the distribution of funds to charitable and civic organizations and chamber of commerce.

Financial support is from members' dues and your principal expenditures are for donations, legal fees, meeting expenses and dues to your national organization.

Section 501(c)(6) of the Internal Revenue Code provides exemption for:

"Business leagues, chambers of commerce,...not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Initiator

Reviewer

Reviewer

Reviewer

Reviewer

Reviewer

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that, for an organization to be exempt, its activities must be:

"...directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons..."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit...even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining..."

Revenue Ruling 58-294, 1958-1 C.B. 244 states that an organization engaged in furthering the business interests of the dealers of a particular product and whose membership is limited to those engaged in the sale of the product and whose membership is limited to those engaged in the sale of the product does not qualify for exemption under section 501(c)(6), since it is furthering the business interests of the dealers of a particular product as distinguished from improving business conditions of the industry in general.

In the case of *National Muffler Dealers Association v. U.S.*, 440 U.S. 472(1979), the Court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business of a line of business, but is promoting a particular brand of muffler.

Your organization is similar to the ones described above in that your members are all dealers or operators of a particular brand name of restaurants and you are primarily engaged in the improvement of the business conditions and interests of the dealers of a particular brand as distinguished from improving the business conditions of the restaurant industry in general. Accordingly, tax-exemption under section 501(c)(6) is denied and you should file Federal income tax returns.

[REDACTED]

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

Sincerely,

[REDACTED]
District Director

Enclosures
Form 6018
Publication 892